



Collecting on a budget

Tips for wise buys, having fun and avoiding pitfalls

—by John H. MacMillan—

Coin collecting is indeed “the hobby of kings” as a virtually unlimited amount of money can be spent on rare items if finances permit.

Wealthy collectors such as Col. E.H.R. Green, King Farouk of Egypt and Louis E. Eliasberg Sr. had no trouble acquiring rare items when they became available. Collectors of more modest means, however, must focus their interests and buy smart, or else risk financial difficulties.

Coin collecting can become an addiction, and many collectors go over their budgets on impulse purchases or spending sprees. It is imperative to set a maximum amount to be spent per month or year. I have found that for \$1,500 to \$2,000 per year, rapid progress is possible in many specialties for several years, if one focuses on the periods from 1850 to present and the grades of the coins one buys are Extremely Fine to Proof.

Today, \$2,000 could easily be spent on a single computer or set of golf clubs. The coin collector’s

advantage is that the collection will at least give a partial return in the future, as compared to other items that depreciate to zero.

Let’s explore coin collecting from the perspective of a collector of modest means, who wishes to enjoy his or her coins primarily from an artistic and historical viewpoint. Of course the collector or his or her heirs will want to obtain at least a modest return on his or her hard-earned money in the future. We will use “buying smart” strategies from the context of a U.S. type set collector, but these thought processes apply to other collecting specialties such as date collecting, world coins or ancient coins.

Getting started

Getting started as a U.S. type set collector is quite easy if one desires a set of circulating U.S. coins. A current type set would include an example of each design type for each denomination issued by the U.S. Mint for the year. However, it would not be necessary to obtain coins

bearing each of the Mint marks for the denomination.

One may pull nearly Uncirculated examples from change and upgrade by ordering Uncirculated Mint sets from the U.S. Mint for less than \$20 each. (Or he or she may opt for Proof sets.) As many State quarter dollars are circulating, this phase can be quite a lot of fun for several months.

After completing the type set of currently issued coins, the new type collector can focus on earlier 20th century issues. At this point, the collector’s first long-range buying decisions must be made. Should the collector buy Uncirculated or Proof Walking Liberty half dollars, Standing Liberty quarter dollars, Indian Head 5-cent coins, or should he or she settle for circulated grades?

Two basic rules of thumb that many seasoned collectors follow are to buy the best grade you can afford and to build a collection of similarly graded pieces. The coins in your collection should not show glaring grade discrepancies, espe-

cially if you plan to exhibit them at your local coin club or show. For example, a Standing Liberty quarter dollar in Fine will look out of place in a collection surrounded by About Uncirculated or Brilliant Uncirculated quarter dollars of other design types.

Excluding Barber quarter dollars and gold coins, a 20th century type collection could be assembled at a minimum of the About Uncirculated grade within the budget range we have set.

The second half of the 19th century will provide far more difficult grading and acquisition decisions. Does the collector try for Extremely Fine as the minimum grade or Very Fine? Should he or she include all subtypes or varieties listed in the major price guides, even more exotic variations such as the 1859 Seated Liberty, Hollow Stars half dime, or only the major design types? The financial resources of the collector and his or her preferences and patience all will influence the decisions.

A good strategy would be to purchase the coins from this 50-year period in a minimum of Extremely Fine grade, even if the acquisitions slow somewhat due to finances. After all, you have your entire life to collect, and attractive higher-grade coins always bring more on resale.

The decisions become even more difficult for the first 50 years of the 19th century. Are the Seated Liberty, No Drapery half dimes through half dollars to be included? They are significant variations and prices are quite reasonable for the No Drapery design subtypes in Very Fine and Extremely Fine grades.

Early gold coins from 1800 to 1833 are rare due to extensive melting, and are out of the price range of the average collector. However, the collector of modest means could focus on completing a gold type set

Uncirculated U.S. Mint sets are one budget-smart option for collectors putting together a type set. Uncirculated sets from past years are often widely available and reasonably priced.

Mint sets provided by Crossroads Coins, Inc.

from 1834 on, in a minimum grade of Extremely Fine. Certain early gold types are also available as legal reproductions, which are priced more modestly than the genuine coins.

An additional complication arises in how to deal with poorly struck issues, such as 1808 to 1814 Classic Head cents and 1800 to 1805 Draped Bust half dimes and dimes. Well-struck, problem-free examples of these series are rare and cost many multiples of average strikes. My usual

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suggestion not to buy weakly struck coins still applies here unless the collector is on a very tight budget.

Costs rise dramatically in all series for About Uncirculated and higher grades. As always, you, the collector, must make your decisions based on finances, preference and level of patience.

Never buy bright and shiny early copper or silver coins unless they have been professionally graded and authenticated, as it is probable that the coins have been cleaned. A

cleaned coin is a difficult sell later.

Choice condition 18th century U.S. coins have become nearly impossible to afford for the collector of moderate means. He or she may think that difficult choices must be made between obtaining extremely worn examples of many series (Flowing Hair, Chain and Wreath cents and early dimes) at more than \$500 each, or acquiring choice examples only after protracted savings plans.

I solved this problem by obtaining a minimum of Very Fine grade for the type coins costing \$1,000 or less.

I partially filled the remaining slots with properly marked reproductions from the Gallery Mint Museum in Eureka Springs, Ark., or the Royal Oak Mint in Michigan. Some discontinued GMM issues, such as Flowing Hair, Chain cents and Flowing Hair, Wreath cents, have actually appreciated substantially in the open market. Spending several hundred dollars on choice replicas, in my opinion, is preferable to spending many thousands of dollars for genuine examples with barely discernable design features – provided





A collection of coins possessing similar grades will blend together better than coins with widely diverse grades. Collectors should set strict parameters for the grades they desire before purchasing.

Images courtesy of HeritageCoins.com and Coin World.

one is collecting for fun and history rather than investment.

It is a matter of collector preference if you wish to fill these holes with modern reproductions. All legitimate reproductions contain the word *COPY* on the obverse or reverse (federal law requires them to be so marked). Avoid counterfeit coins or old reproductions without the word *COPY* as they present resale and legal difficulties.

Grading

The topic of grading will always bring controversy, but collectors of modest means should follow some basic guidelines.

First, it is especially important to understand the different levels of circulated grades. *Coin Values* features a grading column in each issue, with color pictures of the most popularly collected grades. Articles about the 25 most widely collected coin series are now available in the book *Making the Grade*, which can be purchased 136 | *Coin Values*

from the publisher through Amos Advantage. (See ad in this issue.)

Also available in bookstores and from many coin shops is the book *Photograde* by James F. Ruddy. It depicts only circulated grades in black-and-white pictures.

Study the pictures and read the fine print about idiosyncrasies in each series. Try grading all circulated type coins you personally view.

Second, if you are uncomfortable grading coins yourself, buy only coins that have been graded and encapsulated by recognized third-party grading services such as Professional Coin

Make your decisions based on your finances, preference and level of patience.

Grading Service, Numismatic Guaranty Corp., Independent Coin Grading or ANACS. The old clichés read true in coin collecting: “You get what you pay for” and “There is no Santa Claus in coin collecting.” On eventual resale, a

high percent recovery of cost, or even profit, is more probable for coins graded by services recognized for their expertise in the marketplace. Lesser-known services are spottier in their standards and resale values may not be as high.

Third, do not buy weakly struck coins, even if attractively priced. A weakly struck coin generally shows design weakness only in specific areas, not on all design elements as is the case for a worn example. One can learn how to distinguish between circulation wear and a weak strike, but if you are unsure about a particular coin, pass on it.

Fourth, if you do not like how a coin looks, don’t buy it, as others probably won’t like it either.

Fifth, view as many coins as possible in all series. Internet auctions such as eBay and dealers with online catalogs are great starters. Go to all



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Images courtesy of HeritageCoins.com.

local shows and scan the coins on the bourse floor.

Learning to grade before bidding is especially critical for Internet auctions. Many coins offered via the Internet are grossly overgraded.

Optimal collecting grade (OCG)

Coin dealer and collector Q. David Bowers presents a wise collecting strategy in his recent book, *The Expert's Guide to Collecting and Investing in Rare Coins*. He points out that the budget-conscious collector will "get the most bang for his bucks" by avoiding grades where the next lower grade is dramatically lower in price. Three examples illustrate the concept. (Pricing data are from the *Coin Values* valuing section.)

1902-O Morgan dollar: Mint State 64, \$80; MS-65, \$200; MS-66, \$800.

1922 Grant Memorial, No Star half dollar: MS-63, \$200; MS-64, \$350; MS-65, \$1,000.



Sometimes a coin with a grade one-point lower (left) can be a better value than the higher-graded coin (right). Paying attention to coins' comparative grades versus price tags can save the collector money and regret.

Images courtesy of HeritageCoins.com.

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Purchasing low-grade coins just to quickly fill holes in your collection can be a mistake. A coin with a higher grade, such as an EF-45 Morgan dollar (left), will typically have much better eye-appeal and resale value than a VF-30 Morgan dollar (right).

Images courtesy of HeritageCoins.com.

1877-S Coronet double eagle: About Uncirculated 58, \$750; MS-60, \$1000; MS-62, \$3,500.

Employing Bowers' strategy, you would avoid the highest grade listed for all three. For the 1877-S Coronet double eagle, a coin grading AU-58 may actually be the best value and the most attractive, as most MS-60 coins are heavily marred from contact marks.

Another tip is to be leery of common modern coins certified as Mint State 70. They are usually highly priced and extremely subject to price downturns, as many more of them will likely be certified in the future.

Common mistakes

I have made most of the common mistakes.

Here are some of the pitfalls the prudent collector would be wise to contemplate:

Buying low-grade, low-priced coins to quickly fill the holes: This can be a mistake. Low-grade coins have poor eye appeal and have practically no resale value. If you are a compulsive and an impatient individual, like me, you can easily fall into this trap.

Not returning a coin with some problem because it is a hassle to re-

package and mail: Believe me, it is a bigger hassle to be stuck with a "doggy" coin and face the necessity of upgrading it later. Ship it back to the dealer (be sure to read the dealer's return policies before buying a coin) and don't look back!

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Buying for profit: Coin collecting is for fun, and a collection acquired over many years can sometimes – but not always – be sold for gain. Most circulated type coins bring only 30 to 60 percent of retail. If you seek profit from collecting, buy coins certified by the leading grading services graded MS-63 and higher. Even for these coins, profit is not guaranteed. The coin market is extremely cyclical with constant switching of "hot" and "slow" series. An advantage for the type collector is intrinsic diversification by possessing many different series.

Impulse buying: Always have a short list of coins you wish to add in the next several months, their range of conditions and expected price ranges. If the next morning after purchase you have regrets, return the coin immediately if the dealer's return policies

permit. There is wisdom in the adage: "Act in haste, repent in leisure."

Don't go off the track. If you wish to enjoy collecting to the fullest, you should focus on at most two collecting specialties at a time. Doing otherwise will squander money and time on what will look like a mishmash with no theme.

Upgrading

In general, if you have the patience and discipline, it is always best to buy your coin just once in a pleasing grade that shows all the design details. Buying lower grade coins to fill the holes was mentioned earlier as a mistake.

When you upgrade, you become saddled with a lower grade duplicate that you probably cannot sell at retail value, or even at a loss. Thus, you are paying more for the item in the long term.

If you must upgrade, my general rule is that upgrading less than two full grade units is not worth it. For example, upgrade a Very Fine coin to About Uncirculated, and a Fine coin to Extremely Fine. At least in this manner you will also see a significant upgrade in eye appeal and detail, partially compensating for probable financial loss.